

# Washington State Auditor's Office

## Audit Report

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### Pacific Conservation District Pacific County

Audit Period  
January 1, 1997 through December 31, 1997

Report No. 60060

Issue Date  
**April 16, 1999**



Washington \_\_\_\_\_  
***State Auditor***  
\_\_\_\_\_  
Brian Sonntag

# Audit Summary

## **Pacific Conservation District Pacific County January 1, 1997 through December 31, 1997**

### ***ABOUT THE AUDIT***

This report contains the results of our annual independent audit of the Pacific Conservation District for the period January 1, 1997, through December 31, 1997.

Audit procedures were performed to determine whether the District complied with state laws and regulations, its own policies and procedures, and with applicable federal grant requirements. We also audited the financial statements and evaluated the internal controls established by District management. Our audit work focused on areas with a potential risk for abuse or misuse of public resources.

Part of our work focused on citizen concerns regarding the District's compliance with state conflict of interest laws.

### ***RESULTS***

In most areas, the Pacific Conservation District complied with state laws and regulations, its own policies and procedures, and federal grant requirements. We found the District's financial statements to be accurate and complete. However, in our review of the citizen's concerns referred to above, we found an Associate Supervisor for the District violated conflict of interest laws. This is being reported as a finding.

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# Description of the District

## **Pacific Conservation District Pacific County January 1, 1997 through December 31, 1997**

### ***ABOUT THE DISTRICT***

The Pacific Conservation District was established in 1948, and is one of 48 conservation districts in the state. Its primary activity is the conservation of the land and natural resources in and around Pacific County. A board of five supervisors, three who are elected, and two who are appointed by the Washington State Conservation Commission, administers the District. The District works closely and relies upon assistance from the Washington State Conservation Commission.

The Commission provides the District assistance in obtaining and administering grants, program and field staff to assist in conservation projects, and helps the District coordinate its efforts with other local, state and federal agencies.

The District had revenues of \$830,319 in 1997 and has three full-time employees.

These officials served during the audit period:

### ***ELECTED OFFICIALS***

Board of Supervisors:

Joe Camenzind, Vice Chairman  
Bruce Gardner  
Tony Olsen

### ***APPOINTED OFFICIALS***

Board of Supervisors:

Nick Somero, Chairman  
Victor Niemczek

### ***ADDRESS***

District

1216 W. Robert Bush Drive  
P.O. Box 968  
South Bend WA 98586

# Audit Areas Examined

## Pacific Conservation District Pacific County January 1, 1997 through December 31, 1997

In keeping with general auditing practices, we do not examine every portion of the District's financial activities during each audit. The areas examined were those representing the highest risk of noncompliance, misappropriation or misuse. Other areas are audited on a rotating basis over the course of several years. The following represents the areas of the District's operations examined during this audit period:

### **LEGAL COMPLIANCE**

We audited the following areas for compliance with certain applicable state and local laws and regulations:

- Budgeting requirements
- Open public meeting laws
- Ethics/conflict of interest laws
- Contracts/agreements
- Competitive bidding requirements
- Insurance and bonding
- Travel expenses

### **INTERNAL CONTROL**

We evaluated the following areas of the District's internal control structure:

- Cash receipting
- Cash disbursements
- Payroll
- Petty cash

### **FINANCIAL AREAS**

In addition to the financial-related work listed in other categories, we audited the following areas:

- Cash and investments
- Revenues and expenditures
- Overall presentation of the financial statements

### **FEDERAL PROGRAMS**

We evaluated internal controls and tested compliance with the following federal requirements for the District's major federal programs. A complete list of programs is provided in the Federal Summary section of this report:

- Spending grant funds for allowable activities
- Special program requirements
- Management and disposition of equipment and real property
- Procurement of goods and services
- Federal reporting requirements
- Providing non-federal funds to meet grant matching requirements
- Obligation of funds within a specified time period
- Cash management

# Audit Overview

## **Pacific Conservation District Pacific County January 1, 1997 through December 31, 1997**

### ***AUDIT HISTORY***

We typically audit the Pacific Conservation District every three years. However, to meet the new federal Single Audit Act requirements, we performed an annual audit. Past audits of the District have not contained any findings.

### ***CONCLUSIONS***

In most areas examined, Pacific Conservation District complied with state laws and regulations, its own policies and procedures, and requirements of federal financial assistance. We also found the District's financial statements to be accurate and complete.

During our audit, citizens alerted us to a probable violation of state conflict of interest provisions by an Associate Supervisor of the District. This concern was substantiated and is discussed in the findings section of this report.

We thank the District's staff for their assistance and cooperation during the audit.

# Schedule of Audit Findings

## Pacific Conservation District Pacific County January 1, 1997 through December 31, 1997

### 1. **A Pacific Conservation District Associate Supervisor violated state law on conflict of interest.**

#### **Description of Condition**

**Conservation District Background** Washington State Law defines a conservation district as a local government. Conservation districts were organized for a variety of purposes, but their main activity is the conservation of the state's land and natural resources.

The governing body of a conservation district is made up of three supervisors elected by district voters. District supervisors may appoint associate supervisors to perform duties on their behalf. State law defines both district supervisors and associate supervisors as municipal officers.

An Associate Supervisor of the Pacific Conservation District assisted the District in preparing a grant application to the Department of Natural Resources for a Jobs for the Environment grant in the amount of \$300,000 for the Salmon Habitat Restoration Partnership Project. He also assisted with the preparation of the bid package. When the grant project was let for bid, the Associate Supervisor was the only bidder and was awarded the bid.

The Associate Supervisor recently resigned from his position with the District, but is still working on the grant project.

#### **Cause of Condition**

District officials lacked an understanding of conflict of interest laws.

District officials said they were not aware that holding a position as an associate supervisor would prohibit that individual from bidding on the project.

#### **Effect of Condition**

State law regarding conflict of interest was violated.

The Associate Supervisor used his position to be awarded the grant project.

#### **Recommendations**

All municipal officers should review and comply with state laws on conflict of interest.

We will refer the violation to the County Prosecutor's Office to determine if further action should be taken.

#### **District's Response**

*We agree that District officials lacked an understanding of conflict of interest laws. However, we disagree that the associate supervisor, Allen Lebovitz, had a conflict of interest.*

*We agree that an associate supervisor **could** be considered a municipal officer. However, all associate supervisors at the District have absolutely no voting rights at our monthly Board meetings. Associate supervisors can vote at the annual state convention of the Washington State Association of Conservation Districts, however, Mr. Lebovitz has never attended such a convention. A review of all minutes since Mr. Lebovitz first attended District meetings will reveal that he has never voted on any motion, nor has he participated in any subcommittee meeting. He is an Associate Supervisor in title only.*

*Secondly, Mr. Lebovitz did not directly participate in the preparation of the bid packet. The packet was prepared solely by District staff. The bid packet did contain parts of the original proposal that Mr. Lebovitz prepared. We do acknowledge that indirectly, his work was part of the bid packet.*

*Thirdly, we strongly feel the bid process met state standards. How can Mr. Lebovitz be held accountable for the fact that he was the sole bidder? Neither he nor District staff prevented others from bidding on the project. The District does not believe that Mr. Lebovitz used his position to be awarded the project.*

*In the future, the District will not allow associate supervisors to participate in any activity as stated in RCW 42.23.030 and RCW 42.23.070 (1).*

*It has come to our attention that Mr. Lebovitz has entered into another contract with the District while being an Associate Supervisor. We want to share that information with you at your earliest convenience.*

## **Auditor's Remarks**

We appreciate the District's response to our recommendations. However, we must reaffirm our finding based on a memorandum from the state Attorney General's Office that specifically addresses this issue.

The memorandum states that:

- Under RCW 89.08.220, a conservation district is a governmental subdivision of the state, and as such, its officers are considered municipal officers. The definition of municipal officer includes all elected and appointed officers together with all deputies and assistants who exercise the powers and functions of a municipal officer.
- Under RCW 42.23.020, an associate supervisor of a conservation district is considered to be a municipal officer.

Under RCW 42.23.030, an associate supervisor of a conservation district who prepares the bid documents for a project, and who then successfully bids on the project, has a beneficial interest in the contract.

The Attorney General's Office memorandum was provided to the District.

## **Applicable Laws and Regulations**

The *Revised Code of Washington* (RCW) outlines the conflict of interest provisions as follows:

RCW 42.23.030 states:

No municipal officer shall be beneficially interested, directly or indirectly, in any contract which may be made by, through or under the supervision of such officer, in whole or in part, or which may be made for the benefit of his office, or accept, directly

or indirectly, any compensation, gratuity or reward in connection with such contract from any other person beneficially interested therein.

RCW 42.23.070 (1) states:

No municipal officer may use his or her position to secure special privileges or exemptions for himself, herself, or others.

# Federal Summary

## **Pacific Conservation District Pacific County January 1, 1997 through December 31, 1997**

The results of our audit of the Pacific Conservation District are summarized below in accordance with U.S. Office of Management and Budget Circular A-133.

- We issued an unqualified opinion on the District's financial statements.
- We noted no instances of noncompliance that were material to the financial statements of the District.
- We issued an unqualified opinion on the District's compliance with requirements applicable to its major federal programs.
- We reported no findings, which are required to be disclosed under OMB Circular A-133.
- The dollar threshold used to distinguish between Type A and Type B programs, as prescribed by OMB Circular A-133, was \$300,000.
- The District did not qualify as a low-risk auditee under OMB Circular A-133.
- The following was a major program during the period under audit:

CFDA No.

Program Title

11.463

Salmon Habitat Rehabilitation/Fisher Assistance Program

# Independent Auditor's Report on Compliance and Internal Control over Financial Reporting in Accordance with Government Auditing Standards

## Pacific Conservation District Pacific County January 1, 1997 through December 31, 1997

Board of Supervisors  
Pacific Conservation District  
South Bend, Washington

We have audited the financial statements of the Pacific Conservation District, Pacific County, Washington, as of and for the year ended December 31, 1997, and have issued our report thereon dated September 27, 1998. We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audit contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

### **COMPLIANCE**

As part of obtaining reasonable assurance about whether the District's financial statements are free of material misstatements, we performed tests of District's compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. We also performed additional test of compliance with state laws and regulations as required by *Revised Code of Washington* (RCW) 43.09.260. This statute requires the State Auditor to inquire as to whether the District complied with the laws and the *Constitution of the State of Washington*, its own ordinances and orders, and the requirements of the State Auditor's Office. Our responsibility is to examine, on a test basis, evidence about the District's compliance with those requirements and to make a reasonable effort to identify any instances of misfeasance, malfeasance or nonfeasance in office on the part of any public officer or employee and to report any such instance to the management of the District and to the Attorney General. However, the objective of our audit of the financial statements was not to provide an opinion on overall compliance with these provisions. Accordingly, we do not express such an opinion.

The results of our tests disclosed no instances of material noncompliance that are required to be reported herein under *Government Auditing Standards*. However, we noted an instance of noncompliance immaterial to the financial statements which is identified in the accompanying Schedule of Audit Findings as Finding 1.

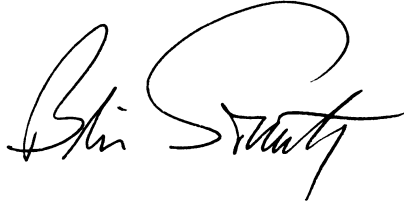
### **INTERNAL CONTROL OVER FINANCIAL REPORTING**

In planning and performing our audit, we considered the District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide an opinion on the internal control over financial reporting.

Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not

reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

This report is intended for the information of management, the Board of Supervisors and federal awarding agencies and pass-through entities. However, this report is a matter of public record and its distribution is not limited. It also serves to disseminate information to the public as a reporting tool to help citizens assess government operations.

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**BRIAN SONNTAG, CGFM**  
STATE AUDITOR

September 27, 1998

# Independent Auditor's Report on Compliance with Requirements Applicable to each Major Program and Internal Control over Compliance in Accordance with OMB Circular A-133

**Pacific Conservation District  
Pacific County  
January 1, 1997 through December 31, 1997**

Board of Supervisors  
Pacific Conservation District  
South Bend, Washington

## **COMPLIANCE**

We have audited the compliance of the Pacific Conservation District, Pacific County, Washington, with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 *Compliance Supplement* that are applicable to its major federal program for the year ended December 31, 1997. The District's major federal program is identified in the Federal Summary. Compliance with the requirements of laws, regulations, contracts and grants applicable to its major federal program is the responsibility of the District's management. Our responsibility is to express an opinion on the District's compliance based on our audit.

We conducted our audit in compliance with generally accepted auditing standards; the standards applicable to financial audit contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audit of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on the major federal programs occurred. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the District's compliance with those requirements.

In our opinion, the District complied, in all material respects, with the requirements referred to above that are applicable to its major federal program for the year ended December 31, 1997.

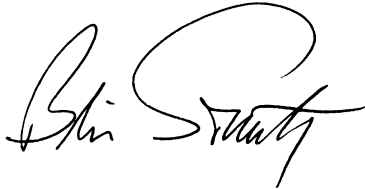
## **INTERNAL CONTROL OVER COMPLIANCE**

The management of the District is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the District's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design

or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

This report is intended for the information of management, the Board of Supervisors and federal awarding agencies. However, this report is a matter of public record and its distribution is not limited. It also serves to disseminate information to the public as a reporting tool to help citizens assess government operations.

A handwritten signature in black ink, appearing to read "Brian Sonntag", with a large, stylized loop at the end.

**BRIAN SONNTAG, CGFM**  
STATE AUDITOR

September 27, 1998

# Independent Auditor's Report on Financial Statements and Additional Information

## **Pacific Conservation District Pacific County January 1, 1997 through December 31, 1997**

Board of Supervisors  
Pacific Conservation District  
South Bend, Washington

We have audited the accompanying statements of Fund Resources and Uses Arising from Cash Transactions of the various funds of the Pacific Conservation District, Pacific County, Washington, for the year ended December 31, 1997. These financial statements are the responsibility of the District's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audit contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatements. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

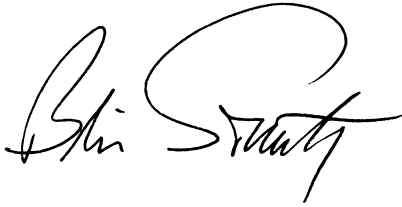
As described in Note 1 to the financial statements, the District prepares its financial statements on the cash basis of accounting that demonstrates compliance with Washington State statutes and the *Budgeting, Accounting and Reporting System* (BARS) manual prescribed by the State Auditor, which is a comprehensive basis of accounting other than generally accepted accounting principles.

In our opinion, the financial statements referred to above present fairly, in all material respects, the recognized revenues and expenditures of the funds of the Pacific Conservation District for the year ended December 31, 1997, on the cash basis of accounting described in Note 1.

In accordance with *Government Auditing Standards*, we have also issued our report dated September 27, 1998, on our consideration of the District's internal control structure over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants.

Our audit was performed for the purpose of forming an opinion on the financial statements taken as a whole. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audit of States, Local Governments, and Non-Profit Organizations*. The accompanying Schedule of State Grant Expenditures is also presented for purposes of additional analysis. These schedules are not a required part of the financial

statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and, in our opinion, is fairly presented, in all material respects, in relation to the financial statements taken as a whole.

A handwritten signature in black ink, appearing to read "Brian Sonntag". The signature is fluid and cursive, with a large loop at the end of the last name.

**BRIAN SONNTAG, CGFM**  
STATE AUDITOR

September 27, 1998

# Financial Statements

**Pacific Conservation District  
Pacific County  
January 1, 1997 through December 31, 1997**

***FINANCIAL STATEMENTS***

Fund Resources and Uses Arising from Cash Transactions – 1997  
Notes to Financial Statements – 1997

***ADDITIONAL INFORMATION***

Schedule of State Grant Expenditures – 1997  
Schedule of Expenditures of Federal Awards – 1997  
Notes to Schedule of Expenditures of Federal Awards – 1997